

**Crystal Township**  
**Montcalm County, Michigan**  
**Annual Financial Statements**  
**and**  
**Auditors' Report**  
**June 30, 2008**

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**Crystal Township**  
**List of Elected and Appointed Officials**  
**June 30, 2008**

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Township Board

William Powell, Supervisor

Nan Hagerman, Clerk

Paula Plank, Treasurer

John Hagerman, Trustee

Rich Chalmers, Trustee

## **Independent Auditors' Report**

To the Township Board  
Crystal Township

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Crystal Township as of and for the year ended June 30, 2008, which collectively comprise the Government's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Government's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Crystal Township as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2008 on our consideration of the Crystal Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The managements' discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Crystal Township's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Yeo & Yeo, P.C.*

Alma, Michigan  
December 23, 2008

**Crystal Township**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2008**

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Our discussion and analysis of Crystal Townships financial performance provides an overview of the Township's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the Township's financial statements.

**Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2008.

**Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of Crystal Township as a whole and present a longer-term of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing governmental services.

The fund financial statements present a short-term view; they tell us how the taxpayer's resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

**Crystal Township**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2008**

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**The Crystal Township as a Whole**

The following table shows, in a condensed format, the net assets as of the current date (in thousands of dollars):

	Governmental Activities 2008	Business-type Activities 2008	Total 2008	Total 2007
Assets				
Other assets	\$ 608,041	\$ 1,091,983	\$ 1,700,024	\$ 1,669,906
Capital assets	376,561	4,172,399	4,548,960	4,771,141
Total Assets	<u>984,602</u>	<u>5,264,382</u>	<u>6,248,984</u>	<u>6,441,047</u>
Current and long term liabilities				
Current liabilities	30,463	19,579	50,042	74,691
Long term liabilities	<u>-</u>	<u>959,280</u>	<u>959,280</u>	<u>969,005</u>
Total liabilities	<u>30,463</u>	<u>978,859</u>	<u>1,009,322</u>	<u>1,043,696</u>
Net Assets				
Invested in capital assets, net of related debt	376,561	3,210,119	3,586,680	3,781,136
Restricted	8,815	23,000	31,815	21,000
Unrestricted	<u>568,763</u>	<u>1,049,404</u>	<u>1,618,167</u>	<u>1,595,215</u>
Total net assets	<u>\$ 954,139</u>	<u>\$ 4,282,523</u>	<u>\$ 5,236,662</u>	<u>\$ 5,397,351</u>

Crystal Township's net assets of governmental activities are \$954,139 and \$4,282,523 for business type activities; of these amounts \$568,763 (governmental) and \$1,049,404 (business-type) are unrestricted assets.



**Crystal Township**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2008**

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	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total 2008</u>	<u>Total 2007</u>
<b>Revenue</b>				
Program revenue				
Charges for services	\$ 13,800	\$ 219,550	\$ 233,350	\$ 231,463
General revenue:				
Property taxes and special assessments	309,039	-	309,039	293,059
State-shared revenue	196,211	-	196,211	190,023
Interest	18,193	8,477	26,670	42,767
Other revenue	10,021	436	10,457	19,693
Total revenue	<u>547,264</u>	<u>228,463</u>	<u>775,727</u>	<u>777,005</u>
<b>Program expenses</b>				
General government	148,463	-	148,463	150,315
Public safety	182,150	-	182,150	161,459
Public works	160,801	-	160,801	137,406
Recreation and culture	5,134	-	5,134	5,724
Sewer	-	294,573	294,573	262,920
Duck Lake	-	145,295	145,295	176,279
Loss on sale of capital assets	-	-	-	4,868
Total program expenses	<u>496,548</u>	<u>439,868</u>	<u>936,416</u>	<u>898,971</u>
<b>Change in net assets</b>	<u>\$ 50,716</u>	<u>\$ (211,405)</u>	<u>\$ (160,689)</u>	<u>\$ (121,966)</u>

### **Governmental Activities**

Crystal Townships total governmental activity revenues were \$547,264.

Governmental activity expenditures of \$496,548 were recorded for the year.

**Crystal Township**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2008**

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**Business Type Activities**

The Township also provides municipal sanitary sewer to its residents.

The Townships long-term debt decreased by \$27,725 as of June 30, 2008. This decrease is due to the payments of the Duck Lake sanitary drain bonds series A and B.

**Crystal Townships Funds**

The fund financial statements provide detailed information about the most significant funds, not Crystal Township as a whole. The Township Board of Trustees creates funds to help manage money for specific purposes as well as show accountability for certain activities, Fire, Police, and Lighting Funds. Crystal Township's governmental major funds include General Fund and Fire Fund.

a) **General Fund**

Functions relating to the general governmental activities of the Township, which are financed by property tax levies, by distribution of State revenues from fees charged for various municipal activities and services are recorded in the General Fund. The day to day operation expenses for the Police, and Fire departments is also paid out of General Fund. Some revenues for these departments are collected in the Police and Fire Fund and then transferred to General fund to offset part of the expenses.

b) **Fire Fund**

The Fire Fund is funded through a special assessment approved by the residents. The Assessment collected in 2007-08 was \$79,183.

**General Fund Budgetary Highlights**

The Township is aware that the current board will need to monitor expenditures through out the year. Many areas have been reduced or cut to accommodate the decreasing revenues.

**Crystal Township**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2008**

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**Economic Factors and Next Year's Budgets and Rates**

The Township Board is in agreement that the revenue sharing from the state will continue to decline due to the state's economic decline and manufacturers and industries relocating to other states. The Township Board will have to review further cuts if revenue sharing continues to drop at such considerable amounts.

**Contacting Crystal Townships Management**

This financial report is intended to provide our citizens, taxpayers, customers, and Residents with a general overview of Crystal Township's finances and to show the Township's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the administration offices at Township hall.

**Crystal Township**  
**Statement of Net Assets**  
**June 30, 2008**

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit
<b>Assets</b>				
Cash and cash equivalents	\$ 533,321	\$ 418,094	\$ 951,415	\$ 18,023
Receivables				
Customers	-	22,166	22,166	-
Special assessments	-	633,362	633,362	-
Due from other units of government	64,186	-	64,186	-
Due from employees	1,719	-	1,719	-
Prepaid items	8,815	18,361	27,176	-
Non-depreciable capital assets	18,897	232,446	251,343	-
Depreciable capital assets, net	<u>357,664</u>	<u>3,939,953</u>	<u>4,297,617</u>	<u>-</u>
Total assets	<u>984,602</u>	<u>5,264,382</u>	<u>6,248,984</u>	<u>18,023</u>
<b>Liabilities</b>				
Checks written against future deposits	359	-	359	-
Accounts payable	17,646	-	17,646	-
Accrued and other liabilities	5,208	19,579	24,787	-
Deferred revenue	7,250	-	7,250	-
Noncurrent liabilities				
Due within one year	-	23,000	23,000	-
Due in more than one year	<u>-</u>	<u>939,280</u>	<u>939,280</u>	<u>-</u>
Total liabilities	<u>30,463</u>	<u>981,859</u>	<u>1,012,322</u>	<u>-</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	376,561	3,210,119	3,586,680	-
Restricted for:				
Debt service	-	23,000	23,000	-
Prepays	8,815	-	8,815	-
Unrestricted	<u>568,763</u>	<u>1,049,404</u>	<u>1,618,167</u>	<u>18,023</u>
Total net assets	<u>\$ 954,139</u>	<u>\$ 4,282,523</u>	<u>\$ 5,236,662</u>	<u>\$ 18,023</u>

**Crystal Township**  
**Statement of Activities**  
**For the Year Ended June 30, 2008**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	
<b>Primary government</b>								
Governmental activities								
General government	\$ 148,463	\$ 5,800	\$ -	\$ -	\$ (142,663)	\$ -	\$ (142,663)	\$ -
Public safety	182,150	8,000	-	-	(174,150)	-	(174,150)	-
Public works	160,801	-	-	-	(160,801)	-	(160,801)	-
Recreation and culture	5,134	-	-	-	(5,134)	-	(5,134)	-
Total governmental activities	496,548	13,800	-	-	(482,748)	-	(482,748)	-
Business-type activities								
Sewer	294,573	172,352	-	-	-	(122,221)	(122,221)	-
Duck lake sewer	145,295	47,198	-	-	-	(98,097)	(98,097)	-
Total business-type activities	439,868	219,550	-	-	-	(220,318)	(220,318)	-
Total primary government	<u>\$ 936,416</u>	<u>\$ 233,350</u>	<u>\$ -</u>	<u>\$ -</u>	(482,748)	(220,318)	(703,066)	-
<b>Component unit</b>								
Downtown Development Authority	<u>\$ 127</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				(127)
General revenues								
Property taxes and special assessments					309,039	-	309,039	6,263
State shared revenue					196,211	-	196,211	-
Unrestricted investment earnings					18,193	8,477	26,670	237
Miscellaneous					10,021	436	10,457	-
Total general revenues and transfers					533,464	8,913	542,377	6,500
Change in net assets					50,716	(211,405)	(160,689)	6,373
Net assets - beginning of year					903,423	4,493,928	5,397,351	11,650
Net assets - end of year					\$ 954,139	\$ 4,282,523	\$ 5,236,662	\$ 18,023

See Accompanying Notes to Financial Statements

**Crystal Township**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2008**

		<u>Special Revenue Funds</u>		Nonmajor	Total
	<u>General</u>	<u>Fire</u>	<u>Police</u>	<u>Governmental Funds</u>	<u>Governmental Funds</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 196,937	\$ 140,022	\$ 188,983	\$ 7,379	\$ 533,321
Due from other units of government	64,186	-	-	-	64,186
Due from other funds	-	-	-	1,341	1,341
Due from employees	1,719	-	-	-	1,719
Prepaid items	8,815	-	-	-	8,815
Total assets	<u>\$ 271,657</u>	<u>\$ 140,022</u>	<u>\$ 188,983</u>	<u>\$ 8,720</u>	<u>\$ 609,382</u>
<b>Liabilities</b>					
Checks written against future deposits	\$ -	\$ -	\$ -	\$ 359	\$ 359
Accounts payable	9,653	2,310	5,683	-	17,646
Accrued and other liabilities	5,208	-	-	-	5,208
Due to other funds	1,014	-	-	327	1,341
Deferred revenue	7,250	-	-	-	7,250
Total liabilities	<u>23,125</u>	<u>2,310</u>	<u>5,683</u>	<u>686</u>	<u>31,804</u>
<b>Fund Balances</b>					
Reserved for:					
Prepays	8,815	-	-	-	8,815
Unreserved					
Designated for:					
Improvements	61,022	-	-	-	61,022
Unreserved, reported in:					
General fund	178,695	-	-	-	178,695
Special revenue funds	-	137,712	183,300	8,034	329,046
Total fund balances	<u>248,532</u>	<u>137,712</u>	<u>183,300</u>	<u>8,034</u>	<u>577,578</u>
Total liabilities and fund balances	<u>\$ 271,657</u>	<u>\$ 140,022</u>	<u>\$ 188,983</u>	<u>\$ 8,720</u>	<u>\$ 609,382</u>

See Accompanying Notes to Financial Statements

**Crystal Township**  
**Governmental Funds**  
**Reconciliation of Fund Balances of Governmental Funds**  
**to Net Assets of Governmental Activities**  
**June 30, 2008**

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<b>Total fund balances for governmental funds</b>	\$ 577,578
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Total net assets for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>376,561</u>
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<b>Net assets of governmental activities</b>	<u><u>\$ 954,139</u></u>
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**Crystal Township**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2008**

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		<u>Special Revenue Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Fire</u>	<u>Police</u>	<u>Governmental</u>	<u>Governmental</u>
				<u>Funds</u>	<u>Funds</u>
<b>Revenues</b>					
Taxes	\$ 98,977	\$ 79,183	\$ 102,739	\$ -	\$ 280,899
Special assessments	-	-	-	28,140	28,140
State revenue sharing	196,211	-	-	-	196,211
Other state grants	-	-	1,125	-	1,125
Charges for services	11,700	-	-	-	11,700
Fines and forfeitures	-	-	1,320	-	1,320
Interest income	17,930	229	34	-	18,193
Rental income	350	-	-	-	350
Other revenue	6,934	-	-	-	6,934
	<u>332,102</u>	<u>79,412</u>	<u>105,218</u>	<u>28,140</u>	<u>544,872</u>
Total revenues					

See Accompanying Notes to Financial Statements



**Crystal Township**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2008**

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	General	Special Revenue Funds Fire	Police	Nonmajor Governmental Funds	Total Governmental Funds
<b>Expenditures</b>					
Current					
General government	\$ 121,942	\$ -	\$ -	\$ -	\$ 121,942
Public safety	27,254	-	69,299	-	96,553
Public works	108,607	-	-	27,505	136,112
Recreation and culture	4,672	-	-	-	4,672
Other functions	35,502	-	-	-	35,502
Capital outlay	4,908	58,119	-	-	63,027
	<u>302,885</u>	<u>58,119</u>	<u>69,299</u>	<u>27,505</u>	<u>457,808</u>
Total expenditures					
	29,217	21,293	35,919	635	87,064
Excess of revenues over expenditures					
	29,217	21,293	35,919	635	87,064
<b>Other financing sources</b>					
Insurance recoveries	2,392	-	-	-	2,392
	<u>31,609</u>	<u>21,293</u>	<u>35,919</u>	<u>635</u>	<u>89,456</u>
Net change in fund balance					
	216,923	116,419	147,381	7,399	488,122
Fund balance - beginning of year					
	<u>\$ 248,532</u>	<u>\$ 137,712</u>	<u>\$ 183,300</u>	<u>\$ 8,034</u>	<u>\$ 577,578</u>
Fund balance - end of year					

See Accompanying Notes to Financial Statements

**Crystal Township**  
**Governmental Funds**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2008**

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<b>Net change in fund balances - Total governmental funds</b>	\$ 89,456
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Total change in net assets reported for governmental activities in the statement of activities  
is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those  
assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(84,549)
Capital outlay	52,315
Loss on sale of capital assets	<u>(6,506)</u>

<b>Change in net assets of governmental activities</b>	<b>\$ <u>50,716</u></b>
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**Crystal Township**  
**Proprietary Funds**  
**Statement of Net Assets**  
**June 30, 2008**

	Enterprise Funds		
	Sewer	Duck Lake	Total
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 178,302	\$ 239,792	\$ 418,094
Receivables			
Customers	16,257	5,909	22,166
Special assessments, current	-	77,493	77,493
Due from other funds	34,874	-	34,874
Prepaid items	18,361	-	18,361
Total current assets	247,794	323,194	570,988
Noncurrent assets			
Special assessments receivable, deferred	-	555,869	555,869
Capital assets, net	1,995,946	2,176,453	4,172,399
Total assets	2,243,740	3,055,516	5,299,256
<b>Liabilities</b>			
Current liabilities			
Accrued and other liabilities	5,224	14,355	19,579
Due to other funds	-	34,874	34,874
Current portion of noncurrent liabilities	-	23,000	23,000
Total current liabilities	5,224	72,229	77,453
Noncurrent liabilities			
Long-term debt net of current portion	-	939,280	939,280
Total liabilities	5,224	1,011,509	1,016,733
<b>Net Assets</b>			
Invested in capital assets, net of related debt	1,995,946	1,214,173	3,210,119
Restricted for:			
Debt service	-	23,000	23,000
Unrestricted	242,570	806,834	1,049,404
Total net assets	\$ 2,238,516	\$ 2,044,007	\$ 4,282,523

See Accompanying Notes to Financial Statements

**Crystal Township**  
**Proprietary Funds**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**For the Year Ended June 30, 2008**

	Enterprise Funds		
	Sewer	Duck Lake	Total
<b>Operating revenue</b>			
Customer fees	\$ 165,452	\$ 47,198	\$ 212,650
Connection fees	2,600	-	2,600
Rental income	4,300	280	4,580
Other revenue	15	141	156
Total operating revenue	<u>172,367</u>	<u>47,619</u>	<u>219,986</u>
<b>Operating expenses</b>			
Personnel services	75,196	21,381	96,577
Supplies	9,095	1,296	10,391
Contractual services	(201)	5,187	4,986
Utilities	11,551	3,160	14,711
Repairs and maintenance	39,528	2,742	42,270
Other expenses	36,380	7,600	43,980
Depreciation	122,271	60,417	182,688
Total operating expenses	<u>293,820</u>	<u>101,783</u>	<u>395,603</u>
Operating loss	<u>(121,453)</u>	<u>(54,164)</u>	<u>(175,617)</u>
<b>Nonoperating revenue (expenses)</b>			
Interest income	4,720	3,757	8,477
Loss on disposal of assets	(753)	-	(753)
Interest expense	-	(43,512)	(43,512)
Total nonoperating revenues (expenses)	<u>3,967</u>	<u>(39,755)</u>	<u>(35,788)</u>
Change in net assets	<u>(117,486)</u>	<u>(93,919)</u>	<u>(211,405)</u>
Net assets - beginning of year	<u>2,356,002</u>	<u>2,137,926</u>	<u>4,493,928</u>
Net assets - end of year	<u>\$ 2,238,516</u>	<u>\$ 2,044,007</u>	<u>\$ 4,282,523</u>

See Accompanying Notes to Financial Statements

**Crystal Township**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2008**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Duck Lake</u>	<u>Total</u>
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 171,877	\$ 45,031	\$ 216,908
Payments to suppliers	(93,219)	(20,399)	(113,618)
Payments to employees	(75,196)	(21,381)	(96,577)
Net cash provided by operating activities	<u>3,462</u>	<u>3,251</u>	<u>6,713</u>
<b>Cash flows from capital and related financing activities</b>			
Proceeds from special assessments	-	109,545	109,545
Principal and interest paid on long-term debt	-	(71,237)	(71,237)
Net cash provided by capital and related financing activities	<u>-</u>	<u>38,308</u>	<u>38,308</u>
<b>Cash flows from investing activities</b>			
Interest received	<u>4,720</u>	<u>3,757</u>	<u>8,477</u>
Net increase in cash and cash equivalents	8,182	45,316	53,498
Cash and cash equivalents - beginning of year	<u>170,120</u>	<u>194,476</u>	<u>364,596</u>
Cash and cash equivalents - end of year	<u>\$ 178,302</u>	<u>\$ 239,792</u>	<u>\$ 418,094</u>

**Crystal Township**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2008**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Duck Lake</u>	<u>Total</u>
<b>Reconciliation of operating loss to net cash provided (used) by operating activities</b>			
Operating loss	\$ (121,453)	\$ (54,164)	\$ (175,617)
Adjustments to reconcile operating income to net cash from operating activities			
Depreciation and amortization expense	122,271	60,417	182,688
Changes in assets and liabilities			
Receivables (net)	(490)	(2,588)	(3,078)
Prepaid items	713	-	713
Accrued and other liabilities	<u>2,421</u>	<u>(414)</u>	<u>2,007</u>
Net cash provided by operating activities	<u>\$ 3,462</u>	<u>\$ 3,251</u>	<u>\$ 6,713</u>

**Crystal Township**  
**Notes to Financial Statements**  
**June 30, 2008**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting entity**

Crystal Township is governed by an elected five-member Board. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Discretely Presented Component Units – The component unit column in the entity wide financial statements includes the financial data of the Government's Downtown Development Authority. This unit is reported in a separate column to emphasize that it is legally separate from the Government. The members of the Governing Board of the Downtown Development Authority are appointed by the Township Board. The budgets and expenditures of the Downtown Development Authority must be approved by the Township Board. The Government also has the ability to significantly influence operations of the Downtown Development Authority. The Downtown Development Authority does not issue any other form of financial statements except as contained in the Crystal Township annual financial statements.

**Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant

extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Crystal Township**  
**Notes to Financial Statements**  
**June 30, 2008**

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**Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund accounts for property taxes and other revenue that is restricted for providing fire protection.

The Police Fund accounts for property taxes and other revenue that is restricted for providing police protection.

The government reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the sewage collection system.

The Duck Lake Fund accounts for the activities of the Duck Lake sewer distribution system.

Additionally, the government reports the following:

The nonmajor special revenue funds account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative requirements.



# Crystal Township

## Notes to Financial Statements

### June 30, 2008

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Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer fund are charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the sewer fund include the cost of sales and services,

administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

#### **Assets, liabilities, and net assets or equity**

Deposits – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

**Crystal Township**  
**Notes to Financial Statements**  
**June 30, 2008**

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The 2007 taxable valuation of the government totaled \$87,224,484, on which ad valorem taxes consisted of 0.7442 mills for operating purposes. This resulted in \$65,035 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Prepaid items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings and building improvements	15 to 60 years
Land improvements	10 to 20 years
Sewer lines	40 to 75 years
Vehicles	3 to 10 years
Office equipment computer equipment	5 to 7 years
Computer equipment	3 to 7 years

Long-term obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

#### **Comparative data**

Comparative data is not included in the government's financial statements.

#### **NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

##### **Budgetary information**

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to June 1, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following July 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to July 1.

**Crystal Township**  
**Notes to Financial Statements**  
**June 30, 2008**

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Township Board.

**Excess of expenditures over appropriations**

During the year ended June 30, 2008, the Township incurred expenditures in the General Fund in excess of amounts appropriated as follows:

<u>Fund</u>	<u>Total</u> <u>Appropriation</u>	<u>Amount</u> <u>Expended</u>	<u>Variance</u>
General Fund			
Capital outlay	\$ 3,000	\$ 4,908	\$ 1,908

**Deficit fund equity**

The Township has accumulated a net asset deficit in the Northwest TAC Lighting fund. This deficit will be eliminated with future special assessments.

**NOTE 3 - DEPOSITS**

At year end the government's deposits were reported in the basic financial statements in the following categories:

	<u>Cash and Cash</u> <u>Equivalents</u>
Governmental activities	\$ 533,321
Business-type activities	418,094
Total primary government	951,415
Component unit	18,023
Total	<u>\$ 969,438</u>

*Interest rate risk* – The government does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates

*Credit risk* – State statutes authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The investment policy adopted by the government authorizes investment in bonds and

**Crystal Township**  
**Notes to Financial Statements**  
**June 30, 2008**

securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

*Concentration of credit risk* – The government has no policy that would limit the amount that may be issued in any one issuer.

*Custodial credit risk* - deposits – In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year end, \$ 846,903 was exposed to custodial credit risk because it was uninsured and uncollateralized.

#### NOTE 4 - RECEIVABLES AND DEFERRED REVENUE

The only receivables not expected to be collected within one year are as follows:

	Due After One Year	Fund
<b>Primary government</b>		
Special assessments	\$ 555,869	Duck Lake

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unearned
<b>Primary government</b>	
Other revenue	\$ 7,250

#### NOTE 5 - CAPITAL ASSETS

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 18,897	\$ -	\$ -	\$ 18,897
Capital assets being depreciated				
Buildings, additions and improvements	255,531	786	-	256,317
Machinery and equipment	577,425	51,529	11,010	617,944
Total capital assets being depreciated	832,956	52,315	11,010	874,261
Less accumulated depreciation for				
Buildings, additions and improvements	147,801	4,641	-	152,442
Machinery and equipment	288,751	79,908	4,504	364,155
Total accumulated depreciation	436,552	84,549	4,504	516,597
Net capital assets being depreciated	396,404	(32,234)	6,506	357,664
Governmental activities capital assets, net	\$ 415,301	\$ (32,234)	\$ 6,506	\$ 376,561

**Crystal Township**  
**Notes to Financial Statements**  
**June 30, 2008**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 232,446	\$ -	\$ -	\$ 232,446
Capital assets being depreciated				
Land improvements	976,005	-	-	976,005
Buildings, additions and improvements	303,677	-	-	303,677
Machinery and equipment	1,333,100	-	2,193	1,330,907
Sewer system	5,036,127	-	-	5,036,127
Total capital assets being depreciated	7,648,909	-	2,193	7,646,716
Less accumulated depreciation for				
Land improvements	694,517	24,462	-	718,979
Buildings, additions and improvements	213,888	7,592	-	221,480
Machinery and equipment	958,651	37,535	1,440	994,746
Sewer system	1,658,459	113,099	-	1,771,558
Total accumulated depreciation	3,525,515	182,688	1,440	3,706,763
Net capital assets being depreciated	4,123,394	(182,688)	753	3,939,953
Business-type capital assets, net	\$ 4,355,840	\$ (182,688)	\$ 753	\$ 4,172,399

Depreciation expense was charged to programs of the primary government as follows:

**Governmental activities**

General government	\$ 4,788
Public safety	60,125
Public works	19,636
Total governmental activities	84,549

**Business-type activities**

Sewer	122,271
Water	60,417
Total business-type activities	182,688
Total primary government	\$ 267,237

**NOTE 6 - INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS**

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Due from/to other funds</b>		
Northwest TAC Lighting	Street Lighting Fund	\$ 327
Street Lighting Fund	General Fund	1,014
Sewer Fund	Duck Lake Fund	34,874
		<u>\$ 36,215</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

**Crystal Township**  
**Notes to Financial Statements**  
**June 30, 2008**

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**NOTE 8 - LONG-TERM DEBT**

The government issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

Long-term obligation activity is summarized as follows:

	<u>Amount of Issue</u>	<u>Maturity Date</u>	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-type activities</b>									
Bonds and notes payable									
General obligation bonds									
Duck Lake Sanitary Drain Bonds Series A	\$ 814,000	3/1/2034	4.5%	\$16,000 - \$46,000	\$ 772,000	\$ -	\$ 21,725	\$ 750,275	\$ 16,000
Duck Lake Sanitary Drain Bonds Series B	337,000	3/1/2029	4.5%	\$7,000 - \$15,000	218,005	-	6,000	212,005	7,000
Total business-type activities					<u>\$ 990,005</u>	<u>\$ -</u>	<u>\$ 27,725</u>	<u>\$ 962,280</u>	<u>\$ 23,000</u>

**Crystal Township**  
**Notes to Financial Statements**  
**June 30, 2008**

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Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending June 30,	Business-type Activities	
	Principal	Interest
2009	\$ 23,000	\$ 42,499
2010	24,000	41,464
2011	24,000	40,384
2012	26,000	39,304
2013	27,000	38,135
2014-2018	155,000	171,279
2019-2023	192,000	133,206
2024-2028	218,435	86,208
2029-2033	210,000	39,375
2034	62,845	2,025
	<u>\$ 962,280</u>	<u>\$ 633,879</u>

which is for current service costs. There were no unfunded prior service costs.

The Township has a separate defined contribution plan covering all the employees of the Sewer Fund. The Township contributes 10% of each employee's annual salary to the plan. All contributions are 100% vested. Pension expense of the Sewer Fund for June 30, 2008 was \$8,152. The Township has no further liability to these plans.

**NOTE 10 - RISK MANAGEMENT**

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS**

The Township has a qualified, contributory defined contribution pension plan covering all full time employees and elected officials. The Township contributes 6.2% of each employee's annual salary to the plan. All contributions are 100% vested. Pension expense charged to operations for the year ended June 30, 2008 was \$1,913,

**Crystal Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
<b>Revenues</b>				
Taxes				
Property taxes	\$ 71,047	\$ 71,047	\$ 67,178	\$ (3,869)
Other taxes	-	-	378	378
Administration fee	29,000	29,000	31,421	2,421
State revenue sharing	191,202	191,202	196,211	5,009
Charges for services	14,800	14,800	11,700	(3,100)
Interest income	28,538	28,538	17,930	(10,608)
Rental income	300	300	350	50
Other revenue	8,000	8,000	6,934	(1,066)
Insurance recoveries	-	-	2,392	2,392
Total revenues	<u>342,887</u>	<u>342,887</u>	<u>334,494</u>	<u>(8,393)</u>



**Crystal Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
<b>Expenditures</b>				
General government				
Township board	49,787	49,787	44,160	(5,627)
Supervisor	6,665	6,665	6,459	(206)
Clerk	13,835	13,835	12,391	(1,444)
Board of review	1,350	1,350	1,350	-
Treasurer	14,455	14,455	14,473	18
Assessor	31,745	31,745	30,493	(1,252)
Elections	4,200	4,200	1,668	(2,532)
Buildings and grounds	7,080	7,080	6,881	(199)
Cemetery	10,100	10,100	4,067	(6,033)
Total general government	139,217	139,217	121,942	(17,275)
Public safety				
Fire department	27,870	27,870	27,254	(616)
Public works				
Department of public works	42,570	42,570	40,781	(1,789)
Highways, streets and bridges	80,000	80,000	67,826	(12,174)
Total public works	122,570	122,570	108,607	(13,963)

**Crystal Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2008**

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Recreation and culture				
Parks and recreation	7,000	7,000	-	(7,000)
Library	4,480	4,480	4,672	192
Total recreation and culture	11,480	11,480	4,672	(6,808)
Other functions				
Insurance and bonds	38,750	38,750	35,502	(3,248)
Capital outlay	3,000	3,000	4,908	1,908
Total expenditures	342,887	342,887	302,885	(40,002)
Excess of revenues over expenditures	-	-	31,609	31,609
Fund balance - beginning of year	216,923	216,923	216,923	-
Fund balance - end of year	<u>\$ 216,923</u>	<u>\$ 216,923</u>	<u>\$ 248,532</u>	<u>\$ 31,609</u>

**Crystal Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Fire Fund**  
**For the Year Ended June 30, 2008**

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
<b>Revenues</b>				
Taxes	\$ 80,220	\$ 80,220	\$ 79,183	\$ (1,037)
Interest income	-	-	229	229
Total revenues	80,220	80,220	79,412	(808)
<b>Expenditures</b>				
Capital outlay	81,223	81,223	58,119	(23,104)
Excess (deficiency) of revenues over expenditures	(1,003)	(1,003)	21,293	22,296
Fund balance - beginning of year	116,419	116,419	116,419	-
Fund balance - end of year	<u>\$ 115,416</u>	<u>\$ 115,416</u>	<u>\$ 137,712</u>	<u>\$ 22,296</u>

**Crystal Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Police Fund**  
**For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
<b>Revenues</b>				
Taxes	\$ 103,815	\$ 103,815	\$ 102,739	\$ (1,076)
Other state grants	1,200	1,200	1,125	(75)
Fines and forfeitures	200	200	1,320	1,120
Interest income	-	-	34	34
Total revenues	105,215	105,215	105,218	3
<b>Expenditures</b>				
Current				
Public safety	80,650	80,650	69,299	(11,351)
Excess of revenues over expenditures	24,565	24,565	35,919	11,354
Fund balance - beginning of year	147,381	147,381	147,381	-
Fund balance - end of year	<u>\$ 171,946</u>	<u>\$ 171,946</u>	<u>\$ 183,300</u>	<u>\$ 11,354</u>

**Crystal Township**  
**Other Supplemental Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2008**

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	<u>Street Lights</u>	<u>Northwest TAC Lighting</u>	
<b>Assets</b>			
Cash and cash equivalents	\$ 7,379	\$ -	\$ 7,379
Due from other funds	<u>1,014</u>	<u>327</u>	<u>1,341</u>
Total assets	<u>\$ 8,393</u>	<u>\$ 327</u>	<u>\$ 8,720</u>
<b>Liabilities</b>			
Checks written against future deposits	\$ -	\$ 359	\$ 359
Due to other funds	<u>327</u>	<u>-</u>	<u>327</u>
Total liabilities	<u>327</u>	<u>359</u>	<u>686</u>
<b>Fund Balances</b>			
Unreserved			
Undesignated (deficit)	<u>8,066</u>	<u>(32)</u>	<u>8,034</u>
Total liabilities and fund balances	<u>\$ 8,393</u>	<u>\$ 327</u>	<u>\$ 8,720</u>

See Accompanying Notes to Financial Statements

**Crystal Township**  
**Other Supplemental Information**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2008**

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	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	<u>Street Lights</u>	<u>Northwest TAC Lighting</u>	
<b>Revenues</b>			
Special assessments	\$ 27,780	\$ 360	\$ 28,140
<b>Expenditures</b>			
Current			
Public works	<u>27,143</u>	<u>362</u>	<u>27,505</u>
Net change in fund balance	637	(2)	635
Fund balance (deficit) - beginning of year	<u>7,429</u>	<u>(30)</u>	<u>7,399</u>
Fund balance (deficit) - end of year	<u>\$ 8,066</u>	<u>\$ (32)</u>	<u>\$ 8,034</u>

**Crystal Township**  
**Other Supplemental Information**  
**Component Unit - Downtown Development Authority**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2008**

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**Revenues**

Taxes	\$ 6,263
Interest income	<u>237</u>
Total revenues	<u>6,500</u>

**Expenditures**

Current	
Other functions	<u>127</u>
Excess of revenues over expenditures	<u>6,373</u>
Fund balance - beginning of year	<u>11,650</u>
Fund balance - end of year	<u>\$ 18,023</u>

**Report on Internal Control Over Financial Reporting and  
on Compliance and Other Matters Based on an Audit  
of Financial Statements Performed in Accordance  
with Government Auditing Standards**

To the Township Board  
Crystal Township

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Crystal Township as of and for the year ended June 30, 2008, which collectively comprise Crystal Township's basic financial statements and have issued our report thereon dated December 23, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Crystal Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Crystal Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Crystal Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.



A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We have identified the following deficiencies in the internal control over financial reporting that we consider to be significant deficiencies in internal control, as defined above.

1. We proposed sixteen adjusting journal entries that you approved and posted to your general ledger. Substantially all of the entries were to correct bookkeeping errors or to make accruals and other adjustments that should have been made prior to our arrival for the audit. We believe that a review and evaluation of transactions and proper monthly closing procedures would expedite the year-end closing and reduce audit time and fees.
2. During inquiry with Township employees regarding internal control procedures for cash disbursements, it was noted that the Treasurer conducts all activity in the tax account including writing all checks, signing and mailing the checks, and doing the bank reconciliation. We recommend that the Clerk sign and mail the tax account checks. We also recommend that the Clerk or a board member receive and review the unopened bank statements before passing them along to the Treasurer for reconciliation. This will increase the segregation of duties in the tax account.
3. As part of our audit planning procedures, we were required to obtain an understanding of the internal controls of Crystal Township. Part of the internal control process is the communication of information, including the communication of how internal controls are designed and operating. During our audit planning procedures we noted that documentation of internal control policies and procedures was incomplete. We recommend that Crystal Township completely document and disseminate all internal control policies and procedures in one document. This ensures that all employees understand what their responsibilities in internal control are. In addition, it ensures continuity of internal control procedures in the unfortunate event of employee turnover or unexpected absence. Documentation should not only indicate the flow of documentation but also what internal control procedures are performed by each employee and what documentation is required to indicate a procedure was completed. The monitoring process should also be documented in the procedures manual, including who is responsible for monitoring, the minimum monitoring which must be done, and what documentation is required to indicate monitoring was performed.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Crystal Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of Crystal Township, management and federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.

*Yeo & Yeo, P.C.*

Alma, Michigan  
December 23, 2008



7810 N. Alger Road  
Alma, MI 48801  
(989) 463-6108 / (800) 466-6168  
Fax (989) 463-8560

December 23, 2008

Township Board  
Crystal Township  
414 S. Main  
Crystal, MI 48818

We have completed our audit of the financial statements of Crystal Township as of and for the year ended June 30, 2008 and have issued our report dated December 23, 2008. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

I Auditors' Communication of Significant Matters with Those Charged with Governance

II Management Comments

We discussed these matters with various personnel in the organization during the audit. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Township Board, others within the organization, and are not intended to be and should not be used by anyone other than those specified parties.

Yeo & Yeo, PC  
Alma, Michigan

Appendix I  
Communication to Those Charged with Governance

**Responsibilities under generally accepted auditing standards**

As stated in our engagement letter dated August 12, 2008, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Our responsibility, as prescribed by US GAAS, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects. Our audit does not relieve you of your responsibilities.

**Planned Scope and Timing of the Audit**

We performed the audit as outlined in our discussion with you related to planning matters in the engagement letter.

**Significant Audit Findings**

- Management is responsible for the selection and use of appropriate accounting policies. We will advise management about their appropriateness and application. The significant accounting policies are described in (Note 1) of the financial statements. There were no new policies or changes to existing policies during the year ended June 30, 2008. We noted no transactions entered into by the organization during the year where there is lack of authoritative guidance or consensus. There are no significant transactions that were recognized in a period other than which they occurred.
- Accounting estimates are based on management's knowledge and experience about past and current events and assumptions. Some estimates are sensitive because of their significance to the financial statements and the fact that future events affecting them may differ from those expected.
- Disclosures in the financial statements are neutral, consistent and clear. Certain disclosures are more sensitive than others due to their relevance to the users of the financial statements.

**Difficulties Encountered During the Audit**

We encountered no difficulties in performing the audit.

**Corrected and Uncorrected Misstatements**

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all adjustments. Management has determined that the effects of the uncorrected misstatements attached are immaterial both individually and in the aggregate, qualitatively and quantitatively, to the financial statements taken as a whole.

## **Disagreements with Management**

A disagreement with management is defined as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, which could be significant, individually or in the aggregate to the financial statements or the auditors' report. We had no disagreements with management during the audit.

## **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

## **Management's Consultations with Other Accountants**

From time to time, management may decide to consult with other accountants about audit and accounting matters. Should this occur, professional standards require the consulting accountant to communicate with us to determine that they have all the relevant facts. To our knowledge, there were no consultations with other accountants during the year.

## **Significant Issues Discussed or Subject to Correspondence with Management**

From time to time auditors discuss significant issues with management such as business conditions affecting the entity, business plans and strategies that may affect the risk of material misstatement and the application of accounting principles and auditing standards. The issues discussed during the audit occurred during the normal course of our professional relationship and our responses were not a condition to our retention.

## **Other Reports**

Other information that is required to be reported to you is included in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. Please read all information included in that report to ensure you are aware of relevant information.

## Appendix II Management Comments

In planning and performing our audit of the financial statements of Crystal Township as of and for the year ended June 30, 2008, we considered Crystal Township internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of a matter that is an opportunity for strengthening internal controls, improving operating efficiency and reducing expenses. This letter does not affect our report dated December 23, 2008, on the financial statements of Crystal Township. Our comment and recommendation regarding this matter are:

### **TIMELY RECONCILIATIONS**

During our audit it was noted that bank reconciliations were being conducted; however, the reconciliation was not compared with the general ledger cash amounts. We recommend that the Clerk and the Treasurer compare cash balance amounts on a monthly basis to reduce errors and decrease the amount of time required to reconcile cash at year end.